



GLAMORGAN SPRING BAY COUNCIL

LONG-TERM FINANCIAL STRATEGY

2014- 2023

Adopted by Council

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LONG-TERM FINANCIAL STRATEGY

Introduction

The Long-Term Financial Strategy (LTFS) has been developed to assist in the annual planning process by providing the Glamorgan Spring Bay Council with a strategy to manage the “Long Term Financial Plan” endorsed by Council at its meeting in October 2013. The Plan will be updated annually after the year end accounts have been audited. The LTFS enables Council to focus on the financial sustainability of its operations, which has been identified as a key outcome of the current Strategic Plan.

The LTFS provides guidance to the Council when reviewing the Long Term Asset Management Plan and annual budgets. It provides the mechanism for Council to determine the financial impact of decisions made and the strategic directions taken. The LTFS also assists Council in meeting community expectations regarding the levels of services to be delivered into the future.

Financial Sustainability

Financial sustainability means a long-term financial position where planned infrastructure levels and provision of services to required standards are met without significant rate increases or disruptive cuts to levels of service.

It is important for Council to adequately fund its asset management to ensure assets achieve their expected service standards. The longer term challenge for Council to achieve this goal is the continuing ever higher expectations of the local community.

Financial Strategy

Glamorgan Spring Bay Council’s financial strategy is to achieve affordable prescribed service levels whilst maintaining its long-term financial sustainability.

Council has embarked on a strategy to improve its ongoing sustainability. The level of operating revenue generated by Council in recent years has been sufficient to cover its overall operating expenses whilst investing in several large infrastructure projects. Borrowings have only been made and will only be made in the future on sound investment and economic growth opportunities that over the term of the loan will return to Council the equivalent or better normal business return and activity. Where possible, excess funds generated from selling redundant or non-performing assets will be paid against borrowings or to fill short term cash shortages, in consultation with Councillors.

Council will continue to invest in developing new infrastructure whilst maintaining its present infrastructure levels within community expectations.

Council’s rating strategy in the long term is defined in Council’s Rating Policy. It is expected “Average Area Rating” and minimising rate increases to Consumer Price Index (CPI) are likely to continue.

Council needs to critically review excess properties in consultation with the community and reflect the true costs of having redundant non-performing assets on Council’s books.

Based on out-dated measurement processes, GSBC is the third lowest grant recipient under Federal Assistance Grants. Lobbying the State Grants Commission for a fairer share of the grants should be a priority. It should also be a priority to try and access all relevant state and federal grants that are potentially available to Council.

Key aims and measures to help achieve this strategy goal, long term asset management and strategic plan objectives are as follows:-

- The importance of a stable and predictable rate revenue stream;
- Maintaining the current level of services;
- Measuring the impacts of new initiatives on long-term financial planning;
- Any new or increased service levels to be funded from new income;
- Minimise the reliance on interest and grant revenue; Use or implement a 'user pays' principle wherever possible; and appropriate
- Disposal of surplus assets which are deemed no longer required.

Assumptions

In the preparation of this LTFS the model assumptions include the following:

- All service delivery to be maintained at not less than the 2014 current levels.
- Asset Renewal requirements are based on Council's Asset Management Plans for all major asset classes.
- Asset revaluations are not included as they are usually adjusted directly to equity.
- All rate income to increase at least at CPI levels and in line with Council's rating policy. Rate income includes all rates that are generated including services.
- Debt level to be consistent with returns on investments.
- Fees and charges maintained at the current service level with an annual CPI increase.
- Operating grants are forecast to decline however need constant review by the State Grants Commission.
- Minimal cash reserves will be retained with all surplus cash being either paid from existing loans or further investment.
- Roads to Recovery grant funding is committed until 2019 and assumed to be ongoing Depreciation maintained in accordance with Asset Management Plans with the allowance for new/upgraded assets.
- Employee costs to be maintained at current levels – 30% or less of total expenditure and total revenue.
- Overall operational expenditure to be maintained at current levels where possible.
- All receivables and liabilities to be maintained at current levels except where new loans are acquired.

Long-Term Estimation & Risk

The LTFS is based on assumptions about the future. The future is uncertain and therefore there is high risk that circumstances may change, some of which are within Council's control such as policies and service delivery. Others are outside Council's control which includes legislation, demographics, community needs, development levels, natural disasters, and interference with levels of income from Federal and State Governments.

Council's three largest revenue streams are rates, operational grants and user fees; the three largest expense items are employee costs, depreciation and materials and supplies. The outcomes of the LTFS are significantly affected if actual results in these major categories fluctuate and therefore are difficult to forecast. Reviewing and updating the LTFS every four years, once new information is available, is essential and will significantly impact on Council's long-term financial sustainability.

Cash Reserves and Borrowing

In order to minimise financial risk and to provide long-term viability of Council assets, the LTFS makes provision for cash reserves and financial assets to be maintained at or near current levels over time. This will maintain the good results and infrastructure investment that has occurred over the last 7 years.

Forecast Financial Position

Based on the long-term financial strategies, planning and assumptions above, our Long Term Financial Plan has been developed.